

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2017-28-S – ORDER NO. 2018-__
MAY __, 2018

IN RE:

Application of Synergy Utilities, L.P.)
for Approval of Sewer Rates, Terms and)
Conditions)
_____)

**ORDER APPROVING
ADJUSTMENT IN RATES AND
CHARGES AND
MODIFICATION OF TERMS
AND CONDITIONS**

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the Application of Synergy Utilities, L.P. (“Synergy”, the “Company”, or “Applicant”) for an increase in rates and charges for the provision of sewer service and the modification of certain terms and conditions related to the provision of such service (“Application”). Pursuant to S.C. Code Ann. § 58-5-240 (2015) and S.C. Code Ann. Regs. 103-512.4.A, the Applicant filed its Application on December 1, 2017, with a test year ending June 30, 2017.

By letter dated December 14, 2017, Barbara Johnson-Williams, President of Northwood Estates Homeowners Association, Incorporated, requested a public night hearing to take place in Orangeburg, South Carolina.

By letter dated December 15, 2017, the Commission’s Docketing Department instructed Synergy to publish a prepared Notice of Filing and Hearing and Pre-file Testimony Deadlines, one time, in newspapers of general circulation and provide a Proof of Publication on or before

January 23, 2018. On December 18, 2017, ORS requested revisions to the testimony due dates and the hearing. On December 20, 2017, the Commission issued Order No. 2017-750, granting the request of Ms. Barbara Johnson-Williams for a public night hearing. By letter dated December 21, 2017, the Commission's Docketing Department instructed Synergy to publish a revised prepared Notice of Filing and Hearing and Pre-file Testimony Deadlines, one time, in newspapers of general circulation and provide a Proof of Publication on or before January 29, 2018. The Revised Notice of Filing and Hearing and Pre-file Testimony Deadlines described the nature of the Application and advised all interested persons desiring to participate in the proceedings and hearing, scheduled for April 19, 2018, of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. By letter dated December 21, 2017, the Commission's Docketing Department instructed Synergy to notify directly, by U.S. Mail via bill inserts or by electronic mail to customers who have agreed to receive notice by electronic mail, each customer affected by the Application by mailing each customer a copy of the Revised Notice of Filing and Hearing and Pre-filed Testimony Deadlines.¹ On January 5, 2018, the Company filed the Affidavit of Mailing of Notice of Filing and Hearing and Pre-file Testimony Deadlines. On January 10, 2018, the Company filed an Affidavit of Publication for the Notice of Filing and Hearing from The State and Certificate of Service demonstrating that the Revised Notice of Filing and Hearing and Pre-file Testimony Deadlines had been duly published and provided letters certifying that it had complied with the instructions of the Commission's Docket Department.

¹ On December 21, 2017, Synergy requested permission from the Commission to publish a further revised Notice of Filing and Hearing to print publication. On December 28, 2017, the Commission issued a second revised Notice of Filing and Hearing and Pre-file Testimony Deadlines intended for print publication.

On January 22, 2018, the Commission's Docket Department issued a Notice of Public Night Hearing, in which the Commission scheduled the Night Hearing for April 12, 2018, at 6:00 p.m., to occur in the Orangeburg City Council Building, 933 Middleton Street, Orangeburg, South Carolina. Also on January 22, 2018, the Commission's Docket Department instructed Synergy to publish a prepared Notice of Public Night Hearing, by U.S. Mail, to each customer and provide a Proof of Publication on or before March 9, 2018.² On February 8, 2018, Synergy filed an affidavit of mailing and Notice of the Public Night Hearing and Certificate of Service demonstrating that the Notice of Public Night Hearing had been duly published and certifying that it had complied with the instructions of the Commission's Docket Department.

As reflected in the Revised Notice of Filing and Hearing and Pre-file Testimony Deadlines, the Company proposed new monthly sewer service rates for its two service territories for both its residential and commercial customers. By its Application, the rate sought by the Company would permit it the opportunity to earn an additional \$232,590 in annual revenues.

No party filed a petition to intervene in this matter. Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2015), the South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding.³

II. THE HEARING AND TESTIMONY RECEIVED FROM THE PARTIES AND PUBLIC WITNESSES

On March 16, 2018, the Company filed with the Commission the Direct Testimony from Donald H. Burkett and Keith G. Parnell in support of its Application. ORS filed the Direct Testimony and Exhibits of its witnesses Christina L. Seale and Matthew P. Schellinger II with

² On January 23, 2018, the Commission's Docketing Department issued a Revised Notice of Public Night Hearing.

³ Synergy and ORS are referred to herein as the "Parties."

the Commission on April 2, 2018.⁴ The Company filed rebuttal testimony from its witness Parnell on April 9, 2018. ORS filed surrebuttal testimony and exhibits from witness Seale and surrebuttal testimony from witness Schellinger on April 16, 2018. The Company filed Responsive Testimony and exhibits of witness Parnell on April 17, 2018.

On April 12, 2018, the Commission held a Public Night Hearing (“Night Hearing”) in Orangeburg, South Carolina. The sign-in sheets for the Night Hearings were offered into the record as Hearing Exhibit 1. A total of four customers of Synergy provided testimony at the Night Hearing. The public witnesses voiced general objections to the amount of the requested increase in rates. Mr. John Murdock testified regarding his bill, requested and was granted, that a Synergy Bill be placed into the record.⁵

The public merits hearing was held at the Commission’s Hearing room on April 19, 2018, at 10:30 a.m. to receive testimony from the Parties and any public witnesses. The Honorable Swain Whitfield, Chairman of the Commission, presided. Synergy was represented by Scott Elliott, Esquire and Charles Cook, Esquire. ORS was represented by Andrew M. Bateman, Esquire and Florence P. Belser, Esquire.

One additional public witness, Mr. Cecil Williams testified in opposition to the rate application immediately prior to the start of the merits hearing on April 19th. Mr. Williams

⁴ ORS requested and, pursuant to Commission Order No. 2018-40H, was granted a request to modify the testimony due dates such that ORS’ direct testimony was due April 2, 2018, the Applicant’s rebuttal testimony was due April 9, 2018, and ORS’ surrebuttal testimony was due April 16, 2018.

⁵ The bill related to the Northwoods subdivision and did not correspond to Mr. Murdock, but was placed into the record for illustrative purposes as Hearing Exhibit 2.

introduced numerous photos purporting to show problems associated with the Synergy sewer system.⁶

Synergy witness Parnell, was sworn in and had his pre-filed Direct, Rebuttal, and Responsive Testimonies entered into the record as if given orally from the stand.⁷ Witness Parnell presented a summary of his testimonies and was made available for cross-examination by ORS and for examination by the Commission. Synergy witness Burkett appeared subsequent to witness Parnell. The direct testimony of witness Burkett was also read into the record as if given orally from the stand.

Mr. Parnell is the President and Operations Manager for Synergy.⁸ The purpose of his pre-filed direct testimony was to, among other things, sponsor Synergy's Application.⁹ Witness Parnell testified that Synergy is a limited partnership consisting of Development Service, Inc. ("DSI") as its general partner and Midlands Utility, Inc. ("MUI") as its limited partner.¹⁰ Witness Parnell testified that Commission Order No. 2017-49, in Docket No. 2016-348-S, granted Synergy a certificate of public convenience and necessity to operate the sewer systems previously owned by MUI and DSI.¹¹¹² According to witness Parnell, Synergy provides collection and treatment services to approximately 112 commercial customers and 59 residential

⁶ Mr. William's photos were introduced into the record as composite Hearing Exhibit 3.

⁷ Witness Parnell's exhibits were introduced into the record as Hearing Exhibit No. 4.

⁸ Parnell Direct, p. 1, ll. 3-5.

⁹ Parnell Direct, p. 2, ll. 2-3.

¹⁰ Parnell Direct, p. 2, ll. 5-8.

¹¹ *Id.*

¹² While witness Parnell did discuss that Synergy was in fact a limited partnership, the entity resulting from the merger of DSI and MUI, and the entity for which these rates were sought, his testimony largely treated DSI and MUI as two separate entities. Synergy designated the former DSI service territory as Service Territory 1 and the former MUI service territory as Service Territory 2.

customers in Richland and Lexington Counties who were former DSI customers.¹³ Synergy also provides collection and treatment services to approximately 417 residential customers in Richland and Lexington County who were former MUI customers and collection only sewer service to approximately 12 commercial and 289 residential customers in Orangeburg, Fairfield, and Lexington Counties.¹⁴ Witness Parnell testified that the proposed rate relief was necessary for Synergy to provide reasonable and adequate service to its customers, cover its expenses, and have the opportunity to earn a reasonable return on its investment and attract capital for future improvements.¹⁵ Witness Parnell testified that the Company proposes to increase its rates in Service Territory 1 for residential single family customers from \$35.87 per month to \$43.42 per month.¹⁶ For customers in Service Territory 2, witness Parnell testified that the Company proposed to increase its monthly service charge for treatment for its single family residential customers from \$37.90 per month to \$47.38 per month and for its collection only single family residential customers the service charge would increase from \$23.03 per month to \$28.79 per month.¹⁷ Witness Parnell testified that Synergy's commercial customers would experience a rate increase in similar proportion.¹⁸ Witness Parnell also testified that Synergy proposed to consolidate the sewer service terms and conditions and non-recurring charges to apply to both Service Territories 1 and 2.¹⁹ Witness Parnell discussed a number of capital improvements made to the MUI and DSI wastewater systems since each entities previous rate cases. Specifically,

¹³ Parnell Direct, p. 2, ll. 16-18.

¹⁴ Parnell Direct, p. 2, ll. 19-22.

¹⁵ Parnell Direct, p. 3, ll. 6-9.

¹⁶ Parnell Direct, p. 4, ll. 4-5.

¹⁷ Parnell Direct, p. 4, ll. 6-9.

¹⁸ Parnell Direct, p. 4, l. 9.

¹⁹ Parnell Direct, p. 4, ll. 12-13.

these capital improvements included, but were not limited to: MUI's installation of a 140,000 gallon per day capacity sequential batch reactor package plant at its Raintree Acres site for a total cost of \$602,000²⁰; MUI spent approximately \$56,000 to replace the Modu-Tank post equalizing chamber with a concrete chamber and close out the polishing lagoon that was no longer utilized, pursuant to a Department of Health and Environmental Control ("DHEC") consent Order²¹; DHEC required that MUI install a new down-gradient monitoring well at Windy Hill, the licensing of which cost \$1,200²²; closing out the lagoon at Bellemeade in accordance with DHEC guidelines at a total cost of \$12,823.33²³; DSI removed and replaced all diffusers in both sequencing batch reactors at its Bush River wastewater treatment facility²⁴; and witness Parnell testified that MUI replaced all electrical contacts in the pump station control panel, two 4 inch check valves at the main pump station, and MUI rebuilt bottoms of both pumps²⁵. Finally, witness Parnell testified that the Company proposes that its rates continue to be determined utilizing the operating margin methodology.²⁶

Mr. Burkett is employed as the Executive Vice President of Burkett Burkett & Burkett Certified Public Accountants, P.A. In his pre-filed direct testimony, Mr. Burkett testified that he was retained by Synergy to prepare the financial schedules submitted in connection with its Application.²⁷ Regarding the creation of Synergy and merger of MUI and DSI, witness Burkett

²⁰ Parnell Direct, p. 6, ll. 7-8.

²¹ Parnell Direct, p. 6, ll. 18-21.

²² Parnell Direct, p. 7, ll. 4-6.

²³ Parnell Direct, p. 7, ll. 8-11.

²⁴ Parnell Direct, p. 7, ll. 13-14.

²⁵ Parnell Direct, p. 9, ll. 9-11.

²⁶ Parnell Direct, p. 10, ll. 1-2.

²⁷ Burkett Direct, p. 2, ll. 4-5.

testified that he has taken into consideration generally accepted accounting practices along with NARUC system of accounts in order to correctly value each partner's contribution to the capital of Synergy and to ensure compliance with NARUC accounting.²⁸ Witness Burkett testified that Synergy is still evaluating the impact of the Tax Cuts and Jobs Act ("Tax Act") on any rate change.²⁹ According to witness Burkett, because Synergy operates as a partnership, it pays no federal or state income taxes as its income will be passed through to its partners and taxed at the partner level.³⁰ Finally, witness Burkett testified that the Application proposes an operating margin of 8.91%.³¹

ORS presented a single panel consisting of two witnesses at the hearing, Christina L. Seale and Matthew P. Schellinger. Both witnesses pre-filed direct and surrebuttal testimonies. All ORS' witnesses pre-filed testimonies were read into the record and the Exhibits, which were filed with and attached to the pre-filed direct and surrebuttal³² testimonies, were offered into evidence and made a part of the record as Hearing Exhibits 5 through 7.

In her pre-filed direct testimony, ORS Senior Auditor Christina L. Seale testified regarding her findings and recommendations resulting from ORS' examination of the Application filed by Synergy.³³ According to witness Seale, ORS' examination of the Company's Application consisted of three major steps: verifying that the operating experience, as reported by Synergy in its Application, was supported by Synergy's accounting books and

²⁸ Burkett Direct, p. 4, ll. 16-19.

²⁹ Burkett Direct, p. 5, ll. 5-7.

³⁰ Burkett Direct, p. 5, ll. 7-9.

³¹ Burkett Direct, p. 5, l. 13.

³² ORS witness Seale filed exhibits with her direct and surrebuttal testimonies while ORS witness Schellinger filed exhibits only with his direct testimony.

³³ Seale Direct, p. 2, ll. 1-2.

records for the 12 months ending June 30, 2017; testing the underlying transactions in the books and records for the test year to ensure that the transactions were adequately supported, had a stated business purpose, were allowable for ratemaking purposes, and were properly recorded; and adjusting, as necessary, the revenues, expenditures, and capital investments to normalize the Company's operating experience and operating margin, in accordance with generally accepted regulatory principles and prior Commission orders.³⁴ Included with her pre-filed direct testimony, witness Seale provided a series of exhibits, attached to her pre-filed direct testimony and labeled, as "Audit Exhibit CLS-1" through "Audit Exhibit CLS-9," detailing ORS' computations and proposed adjustments to the Application.³⁵

ORS witness Schellinger is employed by ORS as a Regulatory Analyst in the Utility Rates and Services Division.³⁶ In his pre-filed direct testimony, witness Schellinger testified regarding ORS' findings relative to his review of Synergy's Application.³⁷ Specifically, witness Schellinger testified regarding Synergy's compliance with Commission rules and regulations; ORS' adjustment to the test year ending June 30, 2017 revenues and revenues at Company's proposed rates; ORS' customer growth calculation; Synergy's request to change certain non-recurring charges and tariff language; Synergy's bond performance requirements; Synergy's compliance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA"); ORS' recommendation and adjustments to reflect the impact of the Tax Act; and ORS' recommendations regarding rates and rate design.³⁸ Witness

³⁴ Seale Direct, p. 2, ll. 6-16.

³⁵ Hearing Exhibit 5.

³⁶ Schellinger Direct, p. 1, ll. 11-12.

³⁷ Schellinger Direct, p. 1, ll. 2-4.

³⁸ Schellinger Direct, p. 2, ll. 2-16.

Schellinger testified that Synergy is a NARUC class A wastewater utility according to wastewater revenues reported on its Application for the test year.³⁹ According to witness Schellinger, the condemnation of the Carolina Water Service, Inc. I-20 sewer system impacts Synergy because it causes a change to wastewater treatment providers.⁴⁰ As a result, witness Schellinger testified that ORS recommends an adjustment to update revenue and expense calculations to reflect the new provider's rate of \$31.10 per tap for wastewater treatment services.⁴¹ Witness Schellinger also testified regarding ORS' recommended changes to the Company's proposed tariff language, which included: removing the language restricting the minimum monthly charge to the church commercial rate⁴²; establishing a rate for sludge disposal service⁴³; establishing a minimum charge for the non-recurring, non-emergency service fee⁴⁴; and add language to allow for a tax multiplier associated with tap fees and other Contribution In Aid of Construction ("CIAC")⁴⁵. Witness Schellinger testified that ORS has reviewed the Company's proposed changes to the terms and conditions and non-recurring charges, and with the inclusion of changes recommended by ORS, does not object to the Company's proposed changes.⁴⁶ Witness Schellinger testified that ORS identified two issues with the Company's books and records that place it out of compliance with the NARUC Uniform System of

³⁹ Schellinger Direct, p. 3, ll. 13-14.

⁴⁰ Schellinger Direct, p. 4, ll. 18-20. The rate of \$31.10 per tap only applies to the Van Arsdale subdivision.

⁴¹ Schellinger Direct, p. 4, ll. 20-22.

⁴² Schellinger Direct, p. 6, ll. 7-8.

⁴³ According to witness Schellinger, the sludge is processed in the same manner that Synergy customer's wastewater is treated. Schellinger Direct, p. 6, ll. 10-18.

⁴⁴ Schellinger Direct, p. 6, l. 19.

⁴⁵ Schellinger Direct, p. 12, ll. 6-7.

⁴⁶ Schellinger Direct, p. 8, ll. 6-9.

Accounts.⁴⁷ First, ORS witness Schellinger testified that the Company recorded no Contribution in Aid of Construction (“CIAC”) on the balance sheet in the Application; however, ORS identified fees that should have been booked as CIAC.⁴⁸ Also, witness Schellinger testified that the Company has not recorded Accumulated Deferred Income Taxes (“ADIT”) on the balance sheet contained in the Application.⁴⁹ According to witness Schellinger, based on ORS’ review of the Company’s balance sheet and tax return filings, ORS concluded the Company should have recorded a reserve to reflect the deferral of taxes.⁵⁰ Because the Company did not record ADIT, the Company is not in compliance with the NARUC USOA and 26 U.S. Code § 168(i)(9)-Normalization Rules and the customers are not receiving the benefit through interest synchronization.⁵¹ Regarding the impact of the Tax Act, witness Schellinger testified that ORS recommended that \$33,975 in revenue attributed to the federal income tax change generated through the expected date of the Commission Order be placed into a regulatory liability and amortized over three years to coincide with the timing related to the proposed amortization schedules for rate case expenses.⁵² Also impacted by the Tax Act, witness Schellinger discussed CIAC and applicable tax multipliers resulting from the new Act.⁵³ The tax multiplier will allow the Company to continue to book the full amount of CIAC and directly pay for any tax costs.⁵⁴ Witness Schellinger testified that it is ORS’ position that this additional tax burden should be

⁴⁷ Schellinger Direct, p. 8, l. 16.

⁴⁸ Schellinger Direct, p. 8, ll. 16-22.

⁴⁹ Schellinger Direct, p. 9, ll. 11-12.

⁵⁰ Schellinger Direct, p. 9, ll. 22-23.

⁵¹ Schellinger Direct, p. 10, ll. 2-5.

⁵² Schellinger Direct, p. 11, ll. 10-14.

⁵³ Schellinger Direct, p. 12, l. 20.

⁵⁴ Schellinger Direct, p. 12, ll. 1-3.

borne by the customer responsible for the additional costs.⁵⁵ Witness Schellinger also testified that once the establishment of proper ADIT, ORS recommends the Company revalue the ADIT to account for the new 21% federal income tax rate.⁵⁶ Witness Schellinger testified that using the Company's rates as proposed, and with ORS adjustments, Synergy Service Territory 1 would have the opportunity to earn an operating margin of 30.11%, and Service Territory 2 would have the opportunity to earn an operating margin of -5.53%.⁵⁷ ORS witness Schellinger testified that ORS recommended a consolidation of rates and charges for Service Territories 1 and 2.⁵⁸ ORS witness Schellinger testified that the Company proposed two distinct rate schedules, and that consolidation of the two schedules into a single-tariff rate structure lowers administrative costs, improves service affordability for customers and promotes ratepayer equity.⁵⁹ As such, ORS proposed a single-tariff rate design for Synergy, the rates of which were carefully designed so as not to exceed the rates noticed to customers in the Application.⁶⁰ The rates proposed by ORS produce an operating margin of 12.49% for Synergy.⁶¹ Finally, witness Schellinger testified that the ORS recommendation to merge the Company's rate schedules into a single-tariff rate structure will result in just, reasonable, sufficient, and non-discriminatory rates for all the customers of Synergy.⁶²

⁵⁵ Schellinger Direct, p. 12, ll. 3-5.

⁵⁶ Schellinger Direct, p. 12, ll. 12-14.

⁵⁷ Schellinger Direct, p. 12 ll. 18-21, p. 13, ll. 1-4.

⁵⁸ Schellinger Direct, p. 13, ll. 11-12.

⁵⁹ Schellinger Direct, p. 13, ll. 12-17.

⁶⁰ Schellinger Direct, p. 13, ll. 18-21.

⁶¹ Schellinger Direct, p. 14, ll. 1-3.

⁶² Schellinger Direct, p. 14, ll. 4-6.

In his pre-filed rebuttal testimony, witness Parnell testified that the Company contested the following proposed recommended changes to the tariff and adjustments proposed by ORS: establishing a rate for sludge disposal service; amortizing current and unamortized rate case expenses over a three-year period; and adjusting the miscellaneous revenues for ORS recalculation of the Company's proposed rate increase.⁶³ Witness Parnell testified that the Company either assents to the remaining adjustments made by ORS or has decided not to contest them in this case.⁶⁴ Specifically, witness Parnell testified that the Company accepts the proposed rate design and requests that the Commission approve the rates and rate design proposed by the ORS.⁶⁵ Regarding the disputed sludge disposal rate, witness Parnell testified that Synergy provides sludge hauling and disposal services for several public and private entities, including the Town of Ridgeway and Water Systems, Inc.⁶⁶ Witness Parnell testified that the rate Synergy charges these customers is set by the market and retail customers benefit from the additional revenues.⁶⁷ Witness Parnell testified that Synergy will update rate case expenses at the conclusion of the hearing and make them available to ORS for audit and report to the Commission.⁶⁸ Witness Parnell testified that Synergy will gross-up cash service availability charges and property contributions in aid of constructed in order to recover the federal and state corporate income taxes associated with those contributions.⁶⁹ According to witness Parnell, ORS' adjustment 1G, in combination with adjustment 20, would result in impermissible

⁶³ Parnell Rebuttal, p. 1, ll. 3-9.

⁶⁴ Parnell Rebuttal, p. 1, ll. 10-11.

⁶⁵ Parnell Rebuttal, p. 2, ll. 1-2.

⁶⁶ Parnell Rebuttal, p. 2, ll. 5-7.

⁶⁷ Parnell Rebuttal, p. 2, ll. 7-8.

⁶⁸ Parnell Rebuttal, p. 2, ll. 15-16.

⁶⁹ Parnell Rebuttal, p. 2, ll. 18-20.

retroactive ratemaking.⁷⁰ Witness Parnell also requested that Synergy be able to recover merger costs as a regulatory asset that will provide a future benefit to the ratepayers.⁷¹ According to witness Parnell, the merger will benefit ratepayers through decreases in future costs.⁷² Finally, witness Parnell testified that the ORS disallowance of approximately \$10,000 in legal expenses by its real estate attorney should be recoverable as merger costs and amortized over a three year period.⁷³

ORS witness Seale pre-filed surrebuttal testimony in which she responded to certain issues raised in the rebuttal testimony of witness Parnell.⁷⁴ In Witness Seale's surrebuttal testimony she stated, "ORS...recognizes that the Company will continue to incur expenses up to and through the hearing. ORS does not object to an additional update to rate case expenses subject to ORS' verification."⁷⁵ Regarding the merger costs, which totaled \$51,102 as of April 9, 2018, witness Seale testified that ORS did not include these merger related expenses in its calculation of the net income for margin for the Company.⁷⁶ Witness Seale testified that the structure of the Company's books and records during the test year did not streamline operations, that the Company maintained separate general ledgers and trial balances, and allocated expenses and assets between the service territories belonging to the former DSI and MUI.⁷⁷ Witness Seale also testified that ORS updated all fall-out adjustments, operating experience, operating margin,

⁷⁰ Parnell Rebuttal, p. 3, ll. 5-6.

⁷¹ Parnell Rebuttal, p. 3, ll. 16-18.

⁷² Parnell Rebuttal, p. 4, ll. 2-4.

⁷³ Parnell Rebuttal, p. 5, ll. 2-8.

⁷⁴ Seale Surebuttal, p. 1, ll. 19-21.

⁷⁵ Seale Surebuttal, p. 2, ll. 7-9.

⁷⁶ Seale Surebuttal, p. 2, ll. 12-14.

⁷⁷ Seale Surebuttal, p. 2, ll. 15-22.

and rate base at ORS proposed rates for combined operations using a customer growth factor of .3492%.⁷⁸ Finally, witness Seale testified that customer growth adjustment 27, included in Audit Exhibit CLS-9, was calculated incorrectly, but had been corrected and reflected in Surrebuttal Audit Exhibit CLS-9.⁷⁹

ORS witness Schellinger also pre-filed surrebuttal testimony in which he responded to the rebuttal testimony filed by Company witness Parnell.⁸⁰ Specifically, witness Schellinger's surrebuttal testimony addresses: rate for sludge disposal; merger related expenses; and ORS' adjustment to Synergy's revenue requirement attributable to the Tax Act.⁸¹ Regarding Synergy's treatment of its sludge disposal for certain customers at the Bush River Waste Water Treatment Plant, witness Schellinger testified that the Company charges its customers an unapproved rate for this service.⁸² Additionally, witness Schellinger cited S.C. Code Ann. Regs. 103-503(B), which states,

All rates, contract forms, and rules and regulations, proposed to be put into effect by any utility as defined in 103-502(11) shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute or other provision of law.⁸³

In order to correct this compliance deficiency, ORS recommended the Company either: establish a rate for sludge disposal and have it approved by the Commission; execute contracts with the third party that specify the rate for sludge disposal service and file the contracts with the Commission; or charge the third-party for sludge disposal services in accordance with the

⁷⁸ Seale Surebuttal, p. 3, ll. 5-9.

⁷⁹ Seale Surebuttal, p. 3, ll. 11-13.

⁸⁰ Schellinger Surebuttal, p. 1, ll. 18-19.

⁸¹ Schellinger Surebuttal, p. 1, ll. 20-21, p. 2, ll. 1-3.

⁸² Schellinger Surebuttal, p. 2, ll. 11-13.

⁸³ Schellinger Surebuttal, p. 2, ll. 14-20.

approved tariff for commercial customers.⁸⁴ Regarding ORS' recommendation that Synergy shareholders be responsible for the expenses related to the merger of DSI and MUI, witness Schellinger testified that the merging of DSI and MUI into Synergy has yielded no monetary benefits to the ratepayers.⁸⁵ While ORS did verify that the Company consolidated its filings into one performance bond and one rate case, neither filing has resulted in reduced costs incurred by the Company.⁸⁶ According to witness Schellinger, total rate case expenses post-consolidation exceed the total rate case expenses incurred by the utilities pre-consolidation.⁸⁷ Specifically, total rate case expenses in the two most previous rate cases experienced by DSI and MUI totaled \$74,202, while the total rate cases expenses for Synergy, at the time of witness Schellinger's surrebutal testimony were \$106,685.⁸⁸ Witness Schellinger testified that the Company continues to maintain its financial records as if it were not consolidated, which necessitated ORS to perform two examinations.⁸⁹ ORS witness Schellinger also testified that it is ORS' position that shareholders of Synergy be required to pay the approximately \$10,000 in legal expenses incurred for a real estate attorney.⁹⁰ According to witness Schellinger, the work associated with this bill was related to the transfer of non-utility property from DSI and MUI to Synergy. On cross-examination witness Schellinger acknowledged several deeds and easements provided in response to discovery requests which conveyed property and easements from MUI, DSI, and

⁸⁴ Schellinger Surebuttal, p. 2, ll. 21-24, p. 3, ll. 1-5.

⁸⁵ Schellinger Surebuttal, p. 3, ll. 8-11.

⁸⁶ Schellinger Surebuttal, p. 3, ll. 12-14.

⁸⁷ Schellinger Surebuttal, p. 3, ll. 15-17.

⁸⁸ Schellinger Surebuttal, p. 3, ll. 17-21, p. 4, l. 1-2.

⁸⁹ Schellinger Surebuttal, p. 4, ll. 3-7.

⁹⁰ Schellinger Surebuttal, p. 4, ll. 12-13.

Bush River Utilities, Inc. to Synergy⁹¹ Finally, witness Schellinger addressed ORS' recommendation to establish a regulatory liability and adjust the revenue requirement for Synergy. According to witness Schellinger, the change in the tax rate caused by the Tax Act was extraordinary and beyond the control of Synergy.⁹² Additionally, witness Schellinger testified that the tax rate reduction caused a materially known and measurable change in the Company's income tax expenses.⁹³ Because the Company has collected for federal taxes that it will never pay, ORS recommends that the ratepayers receive the benefit of the change in income tax expense effective January 1, 2018.⁹⁴ Therefore, ORS recommended that \$33,975 be placed into a regulatory liability and amortized over three years.⁹⁵ ORS' recommendation results in a reduction to the Company's revenue requirement in a purely prospective manner and will return the benefits of the Tax Act to the ratepayer.⁹⁶

On April 17, 2018, Company witness Parnell pre-filed testimony responsive to the testimony of the public witnesses who testified at the Night Hearing, which occurred in Orangeburg, South Carolina, on April 12, 2018. In his responsive testimony, witness Parnell testified that both he and representatives from ORS have met with the Northwoods Homeowners Association to explain the operations of MUI and the role that the City of Orangeburg has in

⁹¹ Schellinger Surebuttal, p. 4, ll. 15-18, cross-examination of Schellinger, and Hearing Exhibit 9.

⁹² Schellinger Surebuttal, p. 5, ll. 1-2.

⁹³ Schellinger Surebuttal, p. 5, ll. 2-3.

⁹⁴ Schellinger Surebuttal, p. 5, ll. 3-5.

⁹⁵ Schellinger Surebuttal, p. 5, ll. 8-9.

⁹⁶ Schellinger Surebuttal, p. 5, ll. 10-12.

MUI's rates.⁹⁷ Company witness Parnell also testified regarding maintenance and the rates charged by the Orangeburg Department of Public Utilities.

Company witness Parnell was cross examined by Mr. Bateman. On Cross examination witness Parnell testified that Synergy supplies sewerage collection and/or disposal service to the public for compensation.⁹⁸ Witness Parnell also testified that Synergy provides sludge disposal services to third parties using equipment for which Synergy receives rate recovery and Synergy does not have a contract with these third parties that has been approved by this Commission.⁹⁹

ORS witness Schellinger was cross examined by Mr. Elliott. During the cross examination of Mr. Schellinger, Mr. Elliott entered into the record the legal invoice of Synergy's real estate attorney¹⁰⁰ and the real estate documents regarding the transfer of properties.¹⁰¹ Mr. Elliott also questioned witness Schellinger regarding the amount of rate case expenses and their relation to time and assistance provided by ORS to the Company prior to, and throughout, the proceeding.¹⁰² On re-direct, Mr. Schellinger testified that ORS did not schedule appointments with Synergy to review its Application, ORS did not insist that Synergy alter its Application, it is not the responsibility of ORS to complete Synergy's Application, and ORS met with Synergy multiple times as a courtesy.¹⁰³

⁹⁷ Parnell Responsive, p. 1, ll. 8-11.

⁹⁸ Tr. P. __, l. __.

⁹⁹ Tr. P. __, l. __.

¹⁰⁰ See Hearing Exhibit 8.

¹⁰¹ See Hearing Exhibit 9.

¹⁰² Tr. P. __, l. __.

¹⁰³ Tr. P. __, l. __.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. BACKGROUND

Synergy is an investor-owned public utility, as defined by S.C. Code Ann. § 58-5-10(4).¹⁰⁴ Synergy is a Class A wastewater utility and classified NARUC as a Class A wastewater utility according to wastewater revenues reported in its Application for the twelve (12) months ending June 30, 2017 (“Test Year”).¹⁰⁵ According to data provided by Synergy, the Company provides wastewater collection and treatment services to 862 residential and commercial customers.¹⁰⁶

B. SYNERGY’S APPLICATION

The Commission accepted Synergy’s Application for filing on December 1, 2017.¹⁰⁷ Synergy was formed as a result of the merger of assets of MUI and DSI.¹⁰⁸ The Commission approved service area for Synergy includes portions of Fairfield, Lexington, Orangeburg, and Richland Counties.¹⁰⁹ By commission Order No. 2017-49 in Docket No. 2016-348-S, Synergy was granted a Certificate of Public Convenience and Necessity.¹¹⁰ The Current rate schedule for MUI was approved by Commission Order No. 2005-168 and Order No. 2006-663.¹¹¹ The

¹⁰⁴ Application, p. 1.

¹⁰⁵ Schellinger Direct, p. 2, l. 7, p. 3, ll. 13-14.

¹⁰⁶ Schellinger Direct, p. 3, l. 14-16.

¹⁰⁷ See Application.

¹⁰⁸ Application, p. 2.

¹⁰⁹ Schellinger Direct, p. 4, l. 16-17.

¹¹⁰ *Id.*

¹¹¹ *Id.*

current rate schedule for DSI was approved in Commission Order No. 2015-460.¹¹² The Company proposes a Test Year of July 1, 2016, to June 30, 2017.¹¹³

In its Application, Synergy proposed to maintain separate rate schedules for its DSI and MUI customers.¹¹⁴ Additionally, Synergy requests that the Commission approve the monthly sewer charge set forth in the rate schedules attached to the Application and the consolidation of the sewer service terms and conditions and non-recurring to apply to both Service Territory 1 and Service Territory 2 customers.¹¹⁵ In particular, the Applicant proposes to establish a sewer service connection and plant capacity fee based upon a charge of \$500.00 per Single Family Equivalent; establish a reconnection charge in cases where service has been disconnected for any reason set forth in Commission Rule 103-532.4; establish a tampering charge for the event where the Applicant's equipment pipes and other facilities have been damaged or tampered with by a customer; increase the delinquent notification fee; establish a customer initiation fee; conform the return check fee to the maximum permitted by S.C. Code Ann. § 34-11-70; establish a service fee for non-routine, non-emergency service performed for the customer on the customer's side of the connection; and establish a provision for control of fats, oil, and grease.¹¹⁶

Per the Company's Application, Synergy requested a \$148,225 increase for Service Territory 1 and a \$84,365 increase for Service Territory 2.¹¹⁷ Per ORS, the Company's proposed rates will result in an increase in Total Operating Revenues, recalculated by ORS witness

¹¹² *Id.*

¹¹³ Application, p. 4.

¹¹⁴ Application, p. 2.

¹¹⁵ *Id.*

¹¹⁶ Application, p. 3.

¹¹⁷ Application, Schedule F.

Schellinger and shown on ORS witness Seale Audit Exhibit CLS-1 of \$241,335.¹¹⁸ The Company proposed a detailed schedule of rates and charges encompassing two territories. The proposed rates and charges were attached as Schedule G to the Application.

C. RATE MAKING METHODOLOGY AND JURISDICTION

Generally, the Commission has wide latitude to determine an appropriate rate-setting methodology. *Heater of Seabrook, Inc. v. Public Service Comm’n*, 324 S.C. 56, 478 S.E.2d 826 (1996). In the present case, Synergy has chosen to request that the Commission determine the reasonableness of its proposed rates using the operating margin methodology. There was no evidence presented by any party supporting the use of any other ratemaking methodology. Accordingly, the Commission will utilize the operating margin methodology in setting Synergy’s rates in this case.

Pursuant to S.C. Code Ann. § 58-3-140(A) the Commission has the “power and jurisdiction to supervise and regulate the rates and service of every public utility in this State and to fix just and reasonable standards....”

The Company is a public utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §§ 58-3-140(A) and 58-5-210 (2015). The Commission requires the use of an historic twelve-month test period under S.C. Code Ann. Regs. 103-823.A(3) (2012). These findings of fact and conclusions of law are informational, procedural and jurisdictional in nature and are not contested by any party of record in this proceeding.

¹¹⁸ Hearing Exhibit 5.

D. TEST YEAR

The test year is established to provide a basis for making the most accurate forecast of the utility's rate base, revenues, and expenses in the near future when the prescribed rates are in effect.¹¹⁹ The historical test year may be used as long as adjustments are made for any known and measurable out-of-period changes in expenses, revenues, and investments.¹²⁰ Synergy's financial statements in this case used a test year ending June 30, 2017. ORS utilized the same test year in conducting its examination. Given that this test year ended within six months of the filing of Synergy's Application, and since no other test year was proposed, the test year ending June 30, 2017, is appropriate and will be used in this case.

E. ADJUSTMENTS TO REVENUES

Synergy reported per book test-year revenues of \$710,107 for Service Territory 1 and \$593,142 for Service Territory 2 in its Application. ORS calculated Synergy's total operating revenues as \$1,340,075 after accounting and pro forma adjustments.¹²¹ These adjustments included ORS' adjustment to residential revenue, commercial revenue, pass-through revenue, miscellaneous revenue, building rental revenue, equipment rental revenue, and amortization of excess tax collection.¹²²

With the exception of ORS' treatment of Synergy's tax collection, and the resulting effects¹²³, Synergy did not oppose ORS' adjustments to revenues. Synergy took the position that

¹¹⁹ *Porter v. South Carolina Pub. Serv. Comm'n*, 328 S.C. 222, 493 S.E.2d 92 (1997).

¹²⁰ *Id.*

¹²¹ Hearing Exhibit 6 (Surrebuttal Audit Exhibit CLS-1).

¹²² Seale Direct, p. 5, ll. 3-23, p. 6, ll. 1-11.

¹²³ Synergy did not specifically oppose the amortization of excess tax collection; however, Synergy did oppose ORS adjustment 20, which reflected \$33,975 in excess tax collection.

ORS' treatment of Synergy's tax collection and resulting effects would result in impermissible retroactive ratemaking.¹²⁴ Synergy stated that ratemaking is prospective and ORS' proposal amounts to giving a credit to Synergy's customers for amounts properly collected from previously approved rates.¹²⁵ Witness Schellinger stated that the change in the federal tax rate was extraordinary and beyond the control of Synergy and that the tax rate reduction caused a material known and measurable change in the Company's income tax expense.¹²⁶

While retroactive ratemaking is generally prohibited, "(t)here is an exception to this rule, however, for expenses deemed 'extraordinary.' An extraordinary expense is one that is unanticipated and non-recurring."¹²⁷

In this case, the change in the tax law was extraordinary, unanticipated, and non-recurring; therefore, we conclude that ORS' proposal does not result in retroactive ratemaking. The funds at issue have been collected by Synergy from its ratepayers in order to pay a federal tax obligation of approximately 34%.¹²⁸ As the maximum federal tax rate was reduced to 21% effective January 1, 2018, some of the taxes collected by the utility from its ratepayers will never be paid to the federal government. As shown in ORS Witness Schellinger's direct testimony, Exhibit MPS-6, and surrebuttal testimony, ORS calculated \$33,975 of revenue attributed to the federal income tax change generated from January 1, 2018 through the expected date of the

¹²⁴ Parnell Rebuttal, p. 3, ll. 5-6.

¹²⁵ Parnell Rebuttal, p. 3, ll. 9-11.

¹²⁶ Schellinger surrebuttal, p. 5, ll. 1-3.

¹²⁷ *Porter v. South Carolina PSC*, 328 S.C. 222, 231, 493 S.E.2d 92, 97 (1997), citing *Popowsky v. Pa. Pub. Util. Comm'n*, 164 Pa. Comm'n. 338, 642 A.2d 648 (Pa. Comm'n Ct. 1994) and *Stewart v. Utah Pub. Serv. Comm'n*, 885 P.2d 759 (Utah, 1994).

¹²⁸ Due to a variety of factors, DSI's actual federal tax obligation was 34%, while MUI's actual federal tax obligation was 33.69%.

Commission Order in this case of June 1, 2018.¹²⁹ ORS recommends that the Company be ordered to place this amount into a regulatory liability account and amortized over three years.¹³⁰

To permit the Company to retain revenues collected for the purpose of paying federal taxes that it will never pay, at their customers' expense, is neither fair nor just. Therefore, we agree with the ORS that Synergy's excess revenue collected as a result of the Tax Act should be placed in a regulatory liability account and amortized over three years.

F. ADJUSTMENTS TO EXPENSES

ORS recommended adjustments to employee salaries, officer salary, pension and benefits, purchased treatment costs, accounting expenses, legal expenses, rate case expenses, certain non-allowable expenses, equipment rental expenses, and building rental expenses.

With the exception of ORS' recommendation regarding the amortization of rate expenses, Synergy did not object to ORS' recommended expense adjustments.

Synergy witness Parnell stated that Synergy would update rate case expenses at the conclusion of the hearing and make them available to ORS for audit and report to the Commission.¹³¹

ORS witness Seale testified that ORS recognizes the Company will continue to incur expenses up to and through the hearing and does not object to an additional update to rate case expenses subject to ORS' verification.¹³²

¹²⁹ Schellinger direct, p. 11, ll. 7-10, surrebuttal, p. 5, ll. 8, Hearing Exhibit 7.

¹³⁰ Schellinger direct, p. 11, l. 12-14.

¹³¹ Parnell surrebuttal, p. 2, l. 14-16.

¹³² Seale surrebuttal, p. 2, ll. 7-9.

Subsequent to the hearing, the Company provided ORS with updated current rate case expenses. ORS verified an additional \$29,239 in rate case expenses for the Company. As recommended by Witness Seale, rate case expenses are to be amortized over a three-year period. The net result of the Commission's conclusions regarding the Company's expenses results in Synergy's allowable total operating expenses for the test year (after pro forma and accounting adjustments) being \$1,259,292. The Commission agrees that these expenses are just and reasonable.

G. SLUDGE DISPOSAL SERVICE

Synergy witness Parnell testified that the Company supplies sewerage collection and/or disposal service to the public for compensation.¹³³ He also testified that Synergy provides sludge hauling and disposal services for public and private entities in the midlands,¹³⁴ that Synergy provides sludge disposal services to third parties using equipment for which Synergy receives rate recovery, and Synergy does not have a contract with these third parties that has been approved by this Commission.¹³⁵

ORS witness Schellinger testified that the Company charges its customers an unapproved rate for this service¹³⁶ and cited S.C. Code Ann. Regs. 103-503(B), which states,

All rates, contract forms, and rules and regulations, proposed to be put into effect by any utility as defined in 103-502(11) shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute or other provision of law.¹³⁷

¹³³ Tr. P. __, l. __.

¹³⁴ Parnell rebuttal, p. 2, ll. 5-6.

¹³⁵ Tr. P. __, l. __.

¹³⁶ Schellinger Surebuttal, p. 2, ll. 11-13.

¹³⁷ Schellinger Surebuttal, p. 2, ll. 14-20.

Furthermore, witness Schellinger testified that ORS recommended the Company either: establish a rate for sludge disposal and have it approved by the Commission; execute contracts with the third party that specify the rate for sludge disposal service and file the contracts with the Commission; or charge the third-party for sludge disposal services in accordance with the approved tariff for commercial customers.¹³⁸

Pursuant to S.C. Code Ann. § 58-5-210, the Commission is, “vested with power and jurisdiction to...ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State and the State hereby asserts its rights to regulate the rates and services...”

This Commission acknowledges that the income generated by Synergy’s sludge hauling may benefit ratepayers, but agrees that the regulation requiring contracts be approved by the Commission applies to Synergy. It is just and reasonable to require that regulations, to which other Public Utilities in this State are obligated, also apply to Synergy. Therefore, this Commission agrees with ORS’ position.

H. MERGER EXPENSES

ORS recommended that the Company’s shareholders be responsible for the expenses related to the merger of DSI and MUI because the merger has resulted in no monetary benefits to the ratepayer.¹³⁹ Additionally, ORS witnesses Schellinger and Seale testified to numerous facets of the former DSI and MUI, and about which neither witness could verify any discernible change since the merger of the two into Synergy. Similarly, witness Schellinger testified that the legal

¹³⁸ Schellinger Surebuttal, p. 2, ll. 21-24, p. 3, ll. 1-5.

¹³⁹ Schellinger Surebuttal, p. 3, ll. 8-11.

expenses incurred by Synergy's real estate attorney should be borne by the shareholders.¹⁴⁰ According to witness Schellinger, the work performed by the real estate attorney was related to the transfer of non-utility property from DSI and MUI to Synergy.¹⁴¹ On cross examination witness Schellinger acknowledged several deeds and easements provided in response to discovery requests conveyed property and easements from MUI, DSI, and Bush River Utilities, Inc.¹⁴² Witness Schellinger also noted that the bill for the services of the real estate attorney provides little detail to describe the work or to aid in determining whether the legal work was of benefit to the ratepayers.¹⁴³

Synergy witness Parnell testified that the ratepayers will realize lower expenses from the economies of scale that will occur.¹⁴⁴ Regarding the recoverability of the costs incurred to pay Synergy's real estate attorney, the Company introduced into the record certain documents that indicate the conveyances on which the real estate attorney worked.¹⁴⁵ These conveyances indicate that property was transferred from utilities such as MUI and Bush River Utilities, Inc. to Synergy. The Company also introduced into the record the legal invoice addressed to MUI regarding the "Transfer to Synergy."¹⁴⁶

Where material facts are in dispute the administrative body must make specific, express findings of fact.¹⁴⁷ An administrative agency is not required to present its findings of fact and

¹⁴⁰ Schellinger Surebuttal, p. 4, ll. 12-13.

¹⁴¹ Schellinger Surrebuttal, p. 4, ll. 14-15.

¹⁴² Cross examination of Schellinger and Hearing Exhibit 9.

¹⁴³ Hearing Exhibits 8.

¹⁴⁴ Parnell Rebuttal, p. 4, ll. 2-4.

¹⁴⁵ See Hearing Exhibit 9.

¹⁴⁶ See Hearing Exhibit 8.

¹⁴⁷ *Porter v. SC Public Service Com'n*, 507 S.E.2d 328, at 332, 333 S.C. 12, at 21.

reasoning in any particular format, although the better practice is to present them in an organized and regimented manner.¹⁴⁸ However, a recital of conflicting testimony followed by a general conclusion is patently insufficient to enable a reviewing court to address the issues.¹⁴⁹

This Commission recognizes that the former customers of DSI and MUI will benefit from the two companies' merger, it also recognizes that the benefit has not yet been realized. Furthermore, despite the fact that Synergy is a single entity, DSI and MUI were consistently treated as two separate entities by the Company in this proceeding. Therefore, this Commission agrees with ORS that the Company's merger expenses are not recoverable because they have not yet shown benefits to ratepayers. The Company proposed two rates, one for a service area that corresponds to the former DSI and the other for the service area that corresponds to the former MUI. The rates of the respective service areas were consolidated into a single tariff only through ORS' recommendation. No monetary benefits have been realized by Synergy's customers at this point in time. It would not be just and reasonable to require ratepayers to pay for something for which they have received no benefit. We therefore concur with the ORS adjustment.

Regarding the expenses incurred for the hiring of the real estate attorney, this Commission recognizes that at least a portion of the expenses incurred were to transfer utility property from MUI to Synergy; however, based on the evidence provided, this Commission cannot assign expenses to corresponding actions. The parties before the Commission disagreed on this point, and thus, the Commission must make express findings of fact. This Commission is bound by the record before it and cannot determine which costs incurred correspond to utility property transfer and which costs correspond to non-utility transfer of property from DSI and

¹⁴⁸ *Porter*, 507 S.E.2d at 332, 333 S.C. at 21.

¹⁴⁹ *Id.*

MUI to Synergy. This Commission cannot presume that expenses a utility proposes to recover in its rates and charges are legitimate if they cannot be subjected the scrutiny of an audit or examination.¹⁵⁰ The bill for the services of the real estate attorney provides insufficient detail to aid in determining whether the legal work was of benefit to the ratepayers.¹⁵¹ As a result, without more information, it would not be just and reasonable to require ratepayers to pay for Synergy expenses that have been challenged and not proven to be reasonably incurred for the benefit of ratepayers. Therefore, this Commission agrees with ORS.

I. EXCESS TAX COLLECTION LIABILITY

In connection with its recommendations related to the effects of the Tax Act, ORS proposes the creation of a regulatory liability and that the calculated amount of excess revenue attributed to the change in Federal tax rates be amortized over three years to coincide with the timing of the proposed amortization schedules for rate case expenses.¹⁵² For the reasons discussed earlier in this Order with regard to the adjustment to revenues on this issue, we approve the creation of this regulatory liability and instruct the Company to account for excess federal taxes through a regulatory liability.

J. APPROVED RATES

In accordance with the above finding conclusions, the Application of the Company and the testimony in the record of this case, the Commission approves the rates and charges contained in the attached **Exhibit 1**.

¹⁵⁰ See Commission Order No. 2018-68, citing *Porter v. SCPSC*, 333 S.C. 12, 507 S.E. 2d 328 (1998).

¹⁵¹ Hearing Exhibits 8.

¹⁵² Schellinger Direct, p. 11, ll. 10-14.

IV. CONCLUSION

Based upon the above considerations and reasoning, the Commission hereby approves the rates and charges as stated in this Order and attached hereto as Exhibit 1 as being just and reasonable.

IT IS THEREFORE ORDERED THAT:

1. The rates and charges attached on Exhibit 1 are approved for service rendered on or after June 1, 2018, and this rate schedule is hereby deemed to be filed with the Commission pursuant to S.C. Code Ann § 58-5-240 (2015).
2. Should the approved schedule not be placed into effect before three months after the effective date of this Order, then the approved schedule shall not be charged without written permission of the Commission.
3. A test year ending June 30, 2017, is appropriate in this case.
4. To correspond with benefits resulting from the Tax Act, Synergy shall place \$33,975 into a regulatory liability account and amortize that amount over 3 years.
5. Synergy shall establish a rate for its third party sludge disposal services and have it approved by this Commission before it is effective or shall execute contracts with the third party and file the contracts with the Commission.
6. Synergy shall maintain its books and records for its operations in accordance with the NARUC Uniform System of Accounts for Class A utilities, as adopted by the Commission.

7. Synergy shall properly book ADIT and CIAC.
8. Synergy shall continue to maintain a performance bond in the amount of \$350,000 for its wastewater operations.
9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Swain Whitfield, Chairman

ATTEST:

Randy Randall, Vice-Chairman